

Message Text

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ACTION AGRE-00

INFO OCT-01 AF-08 ISO-00 EB-07 COME-00 OMB-01 TRSE-00

AID-05 CIAE-00 INR-07 NSAE-00 L-03 /032 W

----- 097142

R 070930Z OCT 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 9934

UNCLAS KINSHASA 8417

DEPT PASS USDA/IGSM FOR KELLER/KEEFER

E.O. 11652: N/A

TAGS: EAID, CG

SUBJECT: COUNTRY TEAM FIRM PROPOSAL FY 77 PL-480 TITLE I
PROGRAM, ZAIRE

REF: (A) AIDTO A-28; (B) KINSHASA 6665; (C) KINSHASA 7326;
(D) KINSHASA 7327

1. COUNTRY TEAM SUBMITTED IN REF (A) OFFICIAL PL-480 TITLE I
PROPOSALS AND JUSTIFICATION FOR ZAIRE'S INCLUSION AS A CORE
COUNTRY FOR FY 77 AND FY 78. THE COUNTRY TEAM PROPOSED
THE FOLLOWING COMMODITIES FOR FY 77:

WHEAT	30,000 MT
RICE	10,000 MT
CORN	5,000 MT
TOBACCO	2.7 MT
COTTON	6 MT
FROZEN POULTRY	1 MT

2. WITH THE EXCEPTION OF FROZEN POULTRY, COUNTRY TEAM
REAFFIRMS SUBMITTED COMMODITY COMPOSITION. AN UPDATE OF
THE QUANTITIES PROPOSED FOLLOWS PARA 4. THE SUBSTITUTION
OF WHITE BEANS FOR FROZEN POULTRY IS CONTAINED IN PARA 4.
SUPPLY/DEMAND FIGURES FOR WHITE BEANS WILL BE THE
SUBJECT OF A SEPARATE CABLE.

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3. WHILE WE HAVE NOT RECEIVED A RESPONSE TO EITHER

REFS (A) OR (B), WE UNDERSTAND FROM KEEFER/OGSM, WHO RECENTLY VISITED ZAIRE, THAT MANY OF THESE COMMODITIES WILL BE ALLOCATED TO COUNTRIES OTHER THAN ZAIRE DURING FY 77. COUNTRY TEAM WISHES TO RE-EMPHASIZE THE IMPORTANCE IT BELIEVES SHOULD BE ACCORDED ZAIRE IN THE ALLOCATION OF TITLE I COMMODITIES. WE STRONGLY URGE THAT INTER-AGENCY COMMITTEE REVIEW ITS PRIORITIES, TAKING ACCOUNT OF ZAIRE'S NEEDS AND RELATIVE STATUS AS BOTH A CORE CLAIMANT AND A SUPPORTING ASSISTANCE RECIPIENT.

4. COMMODITY PROPOSALS:

A. WHEAT: 10,000 MT. INCLUSION OF WHEAT IN PL-480 PACKAGE IS PREDICATED UPON PROGRAMMED QUANTITY BEING IN EXCESS OF CURRENT UMR. COUNTRY TEAM CAN FORESEE PROBLEM THIS AREA. POSSIBILITY THAT GOZ WOULD WANT TO SUBSTITUTE PL-480 WHEAT FOR REGULAR COMMERCIAL IMPORTS VERY REAL, GIVEN CRITICAL FOREIGN EXCHANGE SHORTAGE. THIS WILL HAVE TO BE VERY CAREFULLY SCRUTINIZED, BUT WE SHOULD BE SYMPATHETIC TO CONSUMER NEEDS.

B. RICE: 10,000 MT. CURRENT RICE SUPPLY FULLY MEETS MARKET DEMAND. HOWEVER, COUNTRY TEAM FORESEES POSSIBILITY APPROXIMATELY 10,000 MT U.S. IMPORT VERY END FY 77.

C. CORN: 5,000 MT. CORN REQUEST REMAINS TEST SHIPMENT. DELIVERY CONTRACTS (DEC 1976/JAN 1977) HAVE BEEN SIGNED WITH RHODESIA FOR CORN. CURRENT POLITICAL INDICATIONS ARE THAT RHODESIAN SITUATION MAY STABILIZE. IF SO, WE DO NOT FORESEE THE NEED FOR SIGNIFICANT IMPORTS U.S. CORN. HOWEVER, IF SECURITY PROBLEMS DISRUPT RHODESIAN EXPORTS, WE SHOULD BE PREPARED TO SUPPLY CORN TO THE SHABA REGION WITHIN A MATTER OF WEEKS.

D. TOBACCO: 3,000 MT. GOZ CANNOT PROVIDE FOREIGN EXCHANGE TO PURCHASE TOBACCO ABROAD. TRADITIONAL OVERSEAS SUPPLIERS, SUCH AS U.S., INDIA, MALAWI, ITALY AND BRAZIL, NOT ACCEPTING BANK OF ZAIRE LETTERS OF CREDIT. THUS, THESE SOURCES OF SUPPLY HAVE DRIED UP. PARENT COMPANIES (BAT LONDON AND TOBACCOFINA) NOT WILLING TO EXTEND ADDITIONAL CREDIT TO ZAIRIAN SUBSIDIARIES FOR NEEDED IMPORTS. TOBACCO COMPANIES EMPLOY 2,500 WORKERS; PROVIDE MAJOR PART INCOME FOR 8,000 VILLAGE FARMERS; AND PAY \$22.7 MILLION PER YEAR

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INTO GOZ REVENUE THROUGH TAXES. BOTH COMPANIES WORKING TO ESTABLISH LOCAL TOBACCO INDUSTRY AND LOCAL PRODUCTION HAS STEADILY INCREASED OVER LAST FEW YEARS. HOWEVER, DOMESTIC PRODUCTION IS FAR SHORT OF MARKET DEMAND AND COMPANIES MUST HAVE IMPORTS. DURING DISCUSSIONS, BOTH COMPANY REPS EXPRESSED AN URGENT NEED FOR CREDIT TO ALLOW PLACEMENT OF ORDERS. ASSUMING: (1) TRADITIONAL SUPPLIERS CONTINUE TO REFUSE BANK OF ZAIRE LETTERS OF CREDIT;

(2) THE GOZ CANNOT PROVIDE FOREIGN EXCHANGE; AND (3) FAILURE PL-480 LINE OF CREDIT, COMPANY REPS STATED CLOSURE LOCAL TOBACCO MANUFACTURING FACILITIES WOULD BE A VERY REAL POSSIBILITY MID-1977.

E. COTTON: 6,000 MT. SITUATION WITH RESPECT TO COTTON INDUSTRY HAS NOT IMPROVED OVER THE LAST YEAR AND, IF ANYTHING, THERE HAS BEEN A DETERIORATION. DIRECTOR, NATIONAL COTTON OFFICE, POINTED OUT IN DISCUSSIONS THAT HIS OFFICIAL REQUEST (REF B) FOR 3,000 MT OF COTTON WAS BASED ON THE ASSUMPTION THAT DOMESTIC PRODUCTION GOALS WOULD BE MET. DIRECTOR STATED THAT GINS IN THE INTERIOR HAVE NOT BEEN OPERATING BECAUSE OF FUEL SHORTAGES AND, THEREFORE, SEED WOULD NOT BE AVAILABLE FOR NOV-DEC PLANTINGS. LAST YEAR, GOZ IMPORTED COTTONSEED FROM CAR TO SUPPLEMENT DOMESTIC SHORTAGES; HOWEVER, FAILURE TO PAY FOR LAST YEAR'S IMPORTS HAS PRECLUDED SEED IMPORTS THIS YEAR.

F. WHITE BEANS: 1,000 MT. PRIOR TO ANGOLA'S CIVIL WAR, TRADE SOURCES REPORT THAT ZAIRE IMPORTED APPROXIMATELY 10,000 MT OF WHITE BEANS PER YEAR. THIS TRADE NO LONGER EXISTS AND NO OTHER SUPPLIERS HAVE STEPPED IN TO MARKET VOID. COUNTRY TEAM FORESEES POSSIBILITY OF DEVELOPING MARKET FOR U.S. WHITE BEANS. THEREFORE, WE RECOMMEND 1,000 MT SHIPMENT WITH OPTION TO REQUEST ADDITIONAL QUANTITY. WE ARE IN THE PROCESS OF DEVELOPING THE NECESSARY UMR TABLES.

4. THE ECONOMIC RATIONALE FOR A NEW AGREEMENT WAS PROVIDED IN REF (A). THE SITUATION REMAINS UNCHANGED. ZAIRE'S ECONOMY CONTINUES TO SUFFER FROM ACUTE SUPPLY AND DISTRIBUTION PROBLEMS. THE MOST DRASTIC SHORTAGES OF CONSUMER GOODS ARE FOUND IN THE INTERIOR. WHILE WE ESTIMATE AN OVERALL IMPORT LEVEL OF ABOUT \$1.2 BILLION IS NEEDED
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FOR RECOVERY, CURRENT IMPORT LEVELS REMAIN BELOW \$800 MILLION. THIS LOW LEVEL OF IMPORTS FURTHER AGGRAVATES THE ECONOMIC SITUATION. COUNTRY TEAM BELIEVES A CONTINUING PL-480 PROGRAM WILL HELP TO EASE THE DEBT BURDEN AND THE COUNTERPART GENERATED WILL PROVIDE THE GOZ WITH FUNDS TO STABILIZE ITS AGRICULTURAL SECTOR.

5. COUNTRY TEAM REQUESTS A NEW AGREEMENT BASED UPON THE ABOVE BE INITIATED AS SOON AS POSSIBLE TO PROVIDE FOR SHIPMENT OF COTTON AND TOBACCO DURING FIRST QUARTER FY 77.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PL 480 TITLE 1, FOOD ASSISTANCE, COMMODITY AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KINSHA08417
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760378-0740
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761073/aaaackl.tel
Line Count: 165
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGRE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 KINSHASA 6665, 76 KINSHASA 7326, 76 KINSHASA 7327
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 AUG 2004 by barnescd>; APPROVED <17 DEC 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTRY TEAM FIRM PROPOSAL FY 77 PL-480 TITLE I PROGRAM, ZAIRE
TAGS: EAID, CG, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006